

MEMORANDUM

TO: Board of Visitors Audit Committee

Ross Mugler, Chair
Frank Reidy, Vice Chair
Carlton F. Bennett(ex-officio)
Lisa B. Smith(ex-officio)
R. Bruce Bradley
Donna L. Scassera
Robert M. Tata '86

FROM: Gregory E. DuBois
Vice President for Administration and Finance

B. Active Audit Projects

1. Banner Document Management System
2. Accounts Receivable Cashiering & Student Billing & Touchnet
3. General Accounting
4. Research Center for Bioelectrics
5. Institutional Equity and Diversity
6. College of Education (Child Development IT)
7. NCAA Compliance Eligibility
8. Office of the President FY2017 Annual Audit

C. Presentation of Completed Audit Reports

1. Facilities Management
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PROPOSED REVISIONS TO BOARD OF VISITORS POLICY 1610,
CHARTER OF THE INTERNAL AUDIT DEPARTMENT

RESOLVED, that upon the recommendation of the Audit Committee, the Board of Visitors approves proposed revisions Policy 1610, Charter of the Internal Audit Department, effective immediately.

NUMBER: 1610

TITLE: Charter of the Internal Audit Department

APPROVED: November 14, 1981; Revised May 15, 1982; Revised April 5, 1990; Revised September 13, 2002; Revised June 17, 2010; Revised June 12, 2014; Revised September 24, 2015

Introduction

Old Dominion University supports Internal Audit, as defined by the Institute of Internal Auditors, as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." This charter as adopted herein will serve as a guide for the activities of the Internal Audit Department at Old Dominion University.

This charter does not include, nor is it intended to include, all of the department's duties or responsibilities as they may exist from time to time.

This charter will:

1. Provide a written record of formally approved policies of the Internal Audit Department;
2. Provide a basis for the evaluation of the performance of the Internal Audit Department by the management of the University and the Audit Committee of the Board of Visitors;
3. Serve as a basic document in the organization and administration of the Internal Audit Department.

Mission

Internal Audit was established to assist the Board of o67 -ann()-10 (e)4 ((he)4 ()>BDC -35dd[de)4

In the performance of its mission, the Internal Audit Department of Old Dominion University hereby adopts the IPPF and the "Standards for the Professional Practice of Internal Auditing," which it includes, as an integral part of the department's statement of policies.

Other Auditing Standards

~~The American Institute of Certified Public Accountants has promulgated Generally Accepted Auditing Standards (GAAS) through Statements of Auditing Standards, Industry Audit Guides, and other professional releases.~~

~~The United States General Accounting Office recommends the "Government Auditing Standards (the Yellow Book) for use by auditors who audit state organizations, programs, activities, and functions. In the performance of its mission, the Internal Audit Department will reference these additional standards as appropriate.~~

Reporting Responsibilities

The Internal Audit Department is functionally accountable and reports to the Board of Visitors through the Audit Committee. The Department reports administratively to the President's Office and works with the President or through a designated representative for the purpose of the day day direction needed by the department in the mediation of audit scope and scheduling, plus budgetary and personnel concerns.

The Internal Audit Director shall have direct access to the President and to the Audit Committee of the Board of Visitors in any instance where the Internal Audit Director believes that such access is needed to fulfill the stated objectives of the department.

The Internal Audit Director shall, at a minimum, meet in executive session, to the extent permitted by law, with the Audit Committee of the Board of Visitors at each of the scheduled quarterly Board Meetings to discuss:

1. Audit reports issued;
2. Detailed audit plan for the forthcoming fiscal year ~~and the areas of audit concerns for the subsequent two years~~
3. Relationships between the Internal Audit Department and external auditors;
4. The propriety of any limitations on the scope of internal audits that may be imposed by University management.

As used herein, the term "external" shall refer to representatives of or the activities of the Auditor of Public Accounts for the Commonwealth of Virginia, individual certified public accountants (the "CPA") and auditors from organizations, governmental or commercial, outside the University.

The Internal Audit Director may also present materials, such as the annual audit plan, to the Administration and Finance Committee in an informational capacity.

Code of Virginia §2.2307 et seq., established the Office of the State Inspector General (OSIG) effective July 1, 2012, and charged the office with providing services in three core areas: (1) investigating complaints alleging fraud, waste, abuse, or corruption; (2) conducting performance reviews of executive branch agencies; and (3) coordinating and requiring standards for internal audit programs existing as of July 1, 2012, and developing and maintaining other internal audit programs. As the OSIG is required to coordinate and require standards for those Internal Audit programs, the Old Dominion University Internal Audit Department will adhere to any OSIG directives.

Authority

To the extent permitted by law, the Internal Audit Department shall have timely and unrestricted access to all university activities, properties, personnel, and records which are relevant to fulfillment of the department's mission to the University.

It is understood that certain items of the university are confidential in nature and special arrangements will be made by the audit department when examining and reporting upon such items.

Independence

System Planning and Development

The Internal Audit Department will participate, in an advisory capacity, in the planning, development, implementation, and modification of major computerized and manual systems to ensure that:

1. Adequate controls are incorporated in the system;
2. A thorough testing of the system is performed at appropriate stages;
3. System documentation is complete and accurate; and
4. The intended purpose and objective of the system implementation or modification has been met.

The internal auditor participating in such a review should ensure that the extent of participation does not affect independence, thus suggested audit trails or controls will be transmitted through formal correspondence.

Responsibility for the Detection of Errors or Irregularities

The staff of the Internal Audit Department have a professional responsibility to conduct reviews with an attitude of professional skepticism, recognizing that the application of internal auditing procedures may produce evidential matter indicating the possibility of errors or irregularities.

If the internal audit staff believe that an error or irregularity may exist in an area under review or in any other area of the university, the Internal Audit Director shall be notified at once. The Internal Audit Director should consider the implications of such an error or irregularity and its disposition with the President and/or the President's designated representative. If the Internal Audit Director believes that both of the individuals are directly involved, then the disclosure of potential errors or irregularities should be made directly to the chairman of the Audit Committee of the Board of Visitors.

The Internal Audit Department cannot be solely responsible for the detection and prevention of all errors and irregularities which may occur within the university. This is a responsibility shared by all members of the university management team.

Cooperation With External Auditors

The Internal Audit Department shall assist the Audit Committee of the Board of Visitors in the evaluation of the external auditors' examination of the University.

Audit Plan

Each year, a proposed detailed audit plan for the next fiscal year will be submitted by the Internal Audit Director to the Audit Committee. Upon approval of the plan by the Audit Committee, the Internal Audit Director will initiate audits pursuant to the plan.

A block of time will be set aside for unexpected audits, special requests and consulting, and cases received from the Commonwealth's fraud, waste and abuse hotline. In excess of this, any additions to the plan will require written documentation as to the need for such additions with final approval for the request being made by the President and Committee.

A copy of all approved revisions to the audit plan will be submitted to the President and the Audit Committee.

Audit Reports

At the conclusion of each audit, the department or activity audited will be provided an opportunity to respond in writing to the findings, conclusions, and recommendations of the Internal Audit Department. In addition, an exit conference will be held with the individual in charge of the department or activity under review. All findings, con

such notifications, the Internal Audit Director should ensure that the proper authorities within the

Training

The university recognizes the need for members of the Internal Audit Department to "stay current" on accounting issues and auditing techniques in the university.

To fulfill this need the Internal Audit Department will require each representative of the department to obtain at least forty (40) hours (1 week) of continuing education credits annually. (Training is subject to funding availability.)

Need for Improvement

OLD DOMINION UNIVERSITY INTERNAL AUDIT DEPARTMENT

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¹ Risk exposure is based on the inherent risk of the audited area and not the results or conclusions of the audit.

Background and Executive Summary

Hanban/Confucius Institute Headquarters is affiliated with the Chinese Ministry of Education. Its mission is to provide Chinese language and cultural teaching resources and services worldwide. Beginning in 2015, Hanban requested regular audits of ODU's Confucius Institute and the University responded and agreed to audit the Confucius Institute. This Agreed Upon